



Office of the City Manager

## **REVISED AGENDA MATERIAL for Supplemental Packet 2**

**Meeting Date:** December 15, 2020

**Item Number:** 42

**Item Description:** FY 2020 Year-End and FY 2021 First Quarter Budget Update

**Submitted by:** Teresa Berkeley-Simmons, Budget Manager

The FY 2020 Year-End and FY 2021 First Quarter Budget Update report has been revised to include updated information on the General Fund Excess Equity calculations and the General Fund Reserves calculations.

A revised of Attachment 5 - Summary of Council Referrals to the Budget Process has been included. This new version includes referrals through the December 1, 2020 City Council Meeting.

A new Attachment 6 - Summary of FY 21 and FY 22 Resource Needs (Not Included In Baseline) has been added to the report.



Office of the City Manager

## ACTION CALENDAR

December 15, 2020

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Teresa Berkeley-Simmons, Budget Manager  
Subject: FY 2020 Year-End Results and FY 2021 First Quarter Budget Update

### INTRODUCTION

This budget update presents the FY 2020 Year-End (Year-End) results as well as reports on the FY 2021 First Quarter. The FY 2020 Year-End budget summary covers the period starting July 1, 2019, through June 30, 2020 (FY 2020). This report also provides preliminary revenue information for the first quarter of the current fiscal year, 2021. The FY 2021 First Quarter Budget Update covers the period July 1, 2020, through September 30, 2020. The FY 2020 General Fund Year-End balance was \$40.1 million. Amounts restricted, committed, and assigned totaled \$ \$36.1 million. Allocations to the General Fund reserves totaled \$1.50 million<sup>1</sup>. The amount of Unassigned Excess Equity totaled \$2.50 million.

The information in this report should be reviewed in conjunction with the Amendment to the FY 2021 Annual Appropriations Ordinance (AAO) also on tonight's agenda. The AAO#1 establishes the expenditure limits by fund for FY 2021. The adopted budget is amended annually to reflect the re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered carryover of unexpended funds previously authorized for one-time, non-recurring purposes. These budget modifications are presented to the Council twice a year in the form of an AAO. The first AAO is on tonight's agenda. The second and final AAO will go to Council in May 2021.

Included on tonight's agenda is the First Amendment to the FY 2021 Annual Appropriations Ordinance report (AAO#1). The information included in this Year-End report is supplemented by the detailed information included in the AAO#1. Recommendations in the AAO#1 augments the adopted General Fund budget by \$ \$16.6million. The \$ \$16.6million includes encumbrances of \$ 7.2 million, unencumbered carry-over requests of \$ \$5.4 million, and adjustments of \$ \$4.0 million.

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<sup>1</sup> Starting in FY 2018, to achieve the City's intermediate and long-term Reserves goals, 50% of Excess Equity above the first \$1M is allocated to Reserves. The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve.

## CURRENT SITUATION AND ITS EFFECTS

### **FY 2020 Year-End Summary**

#### General Fund

On June 25, 2019, the City Council adopted the FY 2020 budget (Adopted Budget).<sup>2</sup> The FY 2020 adopted General Fund revenues were \$197.0 million. The actual FY 2020 year-end General Fund revenues were \$220.4 million.

Included in the FY 2020 Adopted Budget were General Fund expenditures of \$196.9 million. During the fiscal year, there were three Adjustments to the Appropriation Ordinance totaling \$33.9 million, thus the total FY 2020 General Fund adjusted expenditure budget was \$230.8 million<sup>3</sup>. At the end of FY 2020, \$7.2 million was encumbered and rolled into FY 2021 resulting in an FY 2020 year-end adjusted expenditure budget of \$223.6. Not all of the budgeted funds were expended in FY 2020, so the FY 2020 year-end actual General Fund expenditures were \$219.0 million.

#### Revenues

At FY 2020 year-end, actual General Fund revenues were \$220.4 million. This was \$23.4 million above the adopted budget of \$197.0 million. The largest contributors to the revenue increase were Property Transfer Tax, which exceeded the budgeted amount by \$9.6 million<sup>4</sup>, Measure P – Transfer Tax<sup>5</sup>, which exceeded the budgeted amount by \$8.0 million, and Business License Tax generated from Measure U1 – Rental Unit Business License Tax<sup>6</sup>, which exceeded the budgeted amount by \$4.6 million. Together, these three revenue streams generated \$22.2 million above the FY 2020 adopted revenues for the General Fund.

Details on the FY 2020 General Fund revenues can be found in Attachment 1.

#### Expenditures

Actual FY 2020 General Fund expenditures were \$219.0 million. This was \$22.1 million above the initial adopted budget of \$196.9 million and \$4.6 million below the adjusted budget of \$223.6 million.

The actual General Fund expenditures came in below the adjusted budget due to salary savings in many departments. FY 2020 General Fund salary savings were \$4.8 million.

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<sup>2</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/06\\_June/Documents/2019-06-25\\_Item\\_39\\_FY\\_2020\\_and\\_FY\\_2021\\_Biennial\\_Budget.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/06_June/Documents/2019-06-25_Item_39_FY_2020_and_FY_2021_Biennial_Budget.aspx) (Items #39 & #40)

<sup>3</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/05\\_May/Documents/2020-05-12\\_Item\\_02\\_Amendment\\_FY\\_2020\\_Annual.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/05_May/Documents/2020-05-12_Item_02_Amendment_FY_2020_Annual.aspx) (Item #1, Exhibit A)

<sup>4</sup> This amount will be reduce to \$9.2 million for the payment to the Workers Compensation Fund for the purchase of the University Avenue property

<sup>5</sup> [https://www.cityofberkeley.info/Clerk/Elections/Ballot\\_Measure\\_Archive\\_Page.aspx](https://www.cityofberkeley.info/Clerk/Elections/Ballot_Measure_Archive_Page.aspx)

<sup>6</sup> Business License Tax of five or more units (U1)

In addition, there were funds for several projects that were budgeted but not completed in FY 2020. Funding allocations for ongoing projects are being carried over to FY 2021.

Details of the variances are included in Attachment 2 of this report.

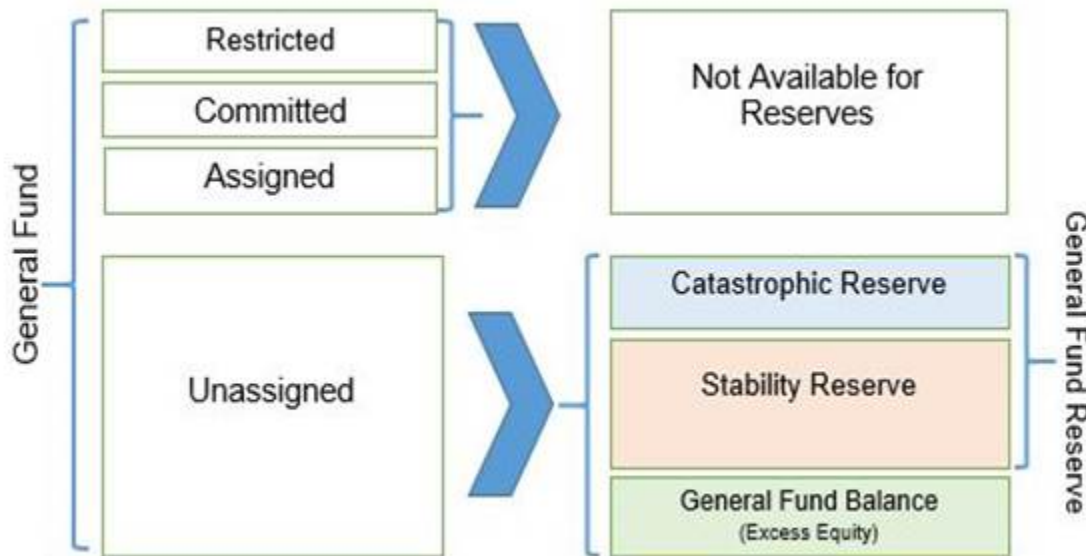
Details of the carryover requests are included in the AAO#1 on tonight's agenda.

**Excess Equity**

Starting in FY 2018 to achieve the City's intermediate and long-term General Fund Reserves goals, 50% of Excess Equity above the first \$1 million is allocated to General Fund Reserves. The chart below illustrates the FY 2020, \$1.50 million reserve calculation as well as the \$2.50 million calculation for the unassigned excess equity.

GENERAL FUND EXCESS EQUITY CALCULATION			
FY 2020 Beginning Balance		\$	38,777,804
FY 2020 Revenues		\$	220,364,309
FY 2020 Expenditures			(219,015,176)
<b>Available Balance</b>		\$	<b>40,126,937</b>
<b>Less:</b>			
Excess Property Transfer Tax Revenue*		\$	(9,188,555)
Measure U1 Fund Balance		\$	(10,017,583)
Measure P Fund Balance		\$	(9,859,779)
G. F. Encumbrances (AAO #1)		\$	(7,191,365)
G.F. Carryover & Other Adjustments (AAO #1)		\$	(9,056,146)
<b>Total Restricted &amp; Carryovers</b>		\$	<b>(36,124,873)</b>
<b>FY 2020 Available Excess Equity</b>		\$	<b>4,002,064</b>
<b>Allocation to Reserves</b>		\$	<b>1,501,032</b>
<b>Excess Equity Balance</b>		\$	<b>2,501,032</b>
<i>*Policy can be suspended by Council to address FY 2021 funding priorities. Amount reduced by \$406,952 to repay loan to the Workers Compensation fund for the purchase of Premier Cru included in AAO#1.</i>			

Excess equity is [can we define it?] and the calculation for excess equity is documented in the graphic below.



The graphic above shows the relation between excess equity as well as other restricted, committed, and assigned General Fund monies.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

## General Fund Reserve

The General Fund Reserve is distinctly separate from the General Fund Balance (Excess Equity). On January 24, 2017, the City Council established [Resolution No. 67,821](#) – N.S., a policy for the General Fund Reserves.<sup>7</sup> The General Fund reserves are comprised of two elements: a Stability Reserve and a Catastrophic Reserve.

The Stability Reserve was established to mitigate the loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls. Fifty-five percent of the General Fund Reserve is allocated to the Stability Reserve.

The Catastrophic Reserve was established to sustain the General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve may be used to respond to extreme onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The policy was revised to include public health emergencies and pandemics<sup>8</sup>. Forty-five percent of the General Fund Reserve is allocated to the Catastrophic Reserve.

When the Council adopted the General Fund Reserve Policy the target level established for the Reserve was a minimum of 13.8% of Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible. In addition, the Council adopted a Long-Term Goal of 30% of General Fund revenues, to be achieved within no more than 10 years. The Council demonstrated their commitment to these goals in the policy by assigning 50% of the General Fund Excess Equity above the first \$1 million to be allocated to the Stability and Catastrophic Reserves (Reserves). Additional Excess Equity may be allocated to Reserves by a majority vote of the Council. As part of the FY 2021 Mid-Biennial Budget Adoption, the Council approved the use of approximately \$11.4 million to help balance the General Fund deficit. The chart directly below illustrates the use of these reserves and the FY 2020 allocation of the \$ 1.50 million distributed to the General Fund Reserves, resulting in an actual Reserves level of 12.56%<sup>9</sup>.

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<sup>7</sup> <https://www.cityofberkeley.info/recordsonline/export/17153922.pdf>

<sup>8</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/06\\_June/Documents/2020-06-16\\_\(Special\\_230pm\)\\_2020-06-16\\_Special\\_Item\\_03\\_Amendments\\_to\\_the\\_General\\_Fund\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/06_June/Documents/2020-06-16_(Special_230pm)_2020-06-16_Special_Item_03_Amendments_to_the_General_Fund_pdf.aspx)

<sup>9</sup> Based on the FY 2021 Adopted General Fund Revenues of \$195.8 million.

<b>General Fund Reserves</b>	<b>Stability Reserve</b>	<b>Catastrophic Reserve</b>	<b>Reserve %</b>
Beginning Cash Balance -	\$ 20.89	\$ 16.91	
Use of Reserves to balance FY 2021 Budget	\$ (6.90)	\$ (4.50)	
FY 2020 Allocation to Reserves	\$ 0.83	\$ 0.67	
% Allocation	55%	45%	
<b>Reserve Balance</b>	\$ 14.82	\$ 13.08	
Reserved for Camps Fund - Tuolumne Camp		\$ (3.30)	
<b>Ending Cash Balance - Reserves</b>	<b>\$ 14.82</b>	<b>\$ 9.78</b>	
		<b>12.56%</b>	

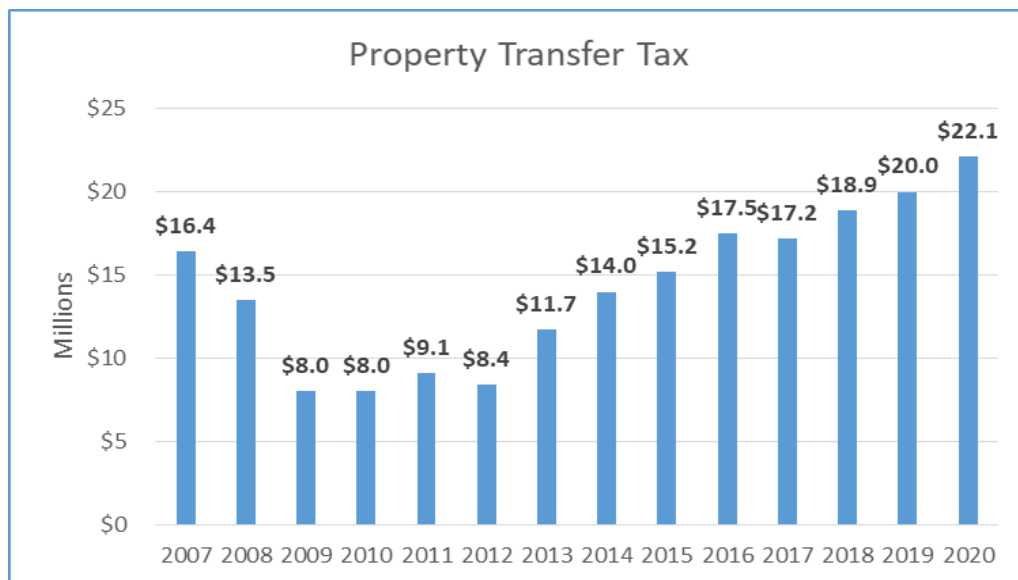
The allocations to the General Fund reserves are not included in AAO#1.

### Funding for Capital Improvements

#### Property Transfer Tax

One of Council’s fiscal policies stipulates that the Property Transfer Tax in excess of the \$12.5 million operating baseline will be treated as one-time revenue to be used for the City’s capital infrastructure needs.

The chart below documents the historical trend of the City’s Property Transfer Tax from FY 2007 through FY 2020.



In FY 2020 the Property Transfer Tax included in the Adopted Budget was \$12.5 million. By year-end, the actual Property Transfer Tax was \$22.1 million. This is \$9.6 million over the \$12.5 million operating baseline threshold established by Council.

Of the \$9.6 million in excess Property Transfer Tax, \$406,952 is being allocated for a transfer to the Workers' Compensation Fund to repay the loan for purchase of Premier Cru. The balance of \$9.2 million can be transferred to the Capital Improvement Fund or Council can suspend the policy to use these funds for FY 2021 funding priorities. Funding that has been transferred to the Capital Improvement Fund has been allocated to infrastructure needs such as sidewalk repairs, street maintenance, and [may be some examples from the CIP book since this question is coming up].

**Measure U1 and Measure P**

In November 2018 voters approved the passage of Measure P and in November 2016 the voters approved the passage of Measure U1. Measure P increased funding for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless, including homeless seniors and youth. Measure U1 also makes available funding to support affordable housing. Although these are general fund revenues, the City tracks these revenue streams separately as Council has assigned these funds to homeless services and affordable housing.

The charts below summarize FY 2020 Measure U1 and Measure P revenues and expenditures.

Measure U1	
FY 2020 Beginning Measure U1 Balance	\$ 8,994,778
FY 2020 U1 Revenues	\$ 5,597,359
FY 2020 U1 Expenditures	\$ 3,574,554
FY 2020 U1 Funds for Berkeley Relief Fund	\$ 1,000,000
FY 2020 Ending U1 Fund Balance*	\$ 10,017,583
<b><i>*U1 FY 2020 Ending Fund Balance will be transferred from the General Fund to new U1 Fund in FY 2021.</i></b>	
Measure P	
FY 2020 Beginning Measure P Balance	\$ 2,932,313
FY 2020 Measure P Revenues	\$ 9,512,603
FY 2020 Measure P Expenditures	\$ 985,137
FY 2020 Measure P Funds for Berkeley Relief Fund	\$ 1,600,000
FY 2020 Ending Measure P Balance	\$ 9,859,779

Below are the FY 2021 preliminary calculations for Measure U1 and Measure P.



FY 2021 Beginning Measure U1 Balance	\$10,017,583
FY 2021 U1 Revenues	\$ 2,700,000
FY 2021 U1 Appropriated & Planned Expenditures	\$ 9,959,856
FY 2021 Projected Ending U1 Fund Balance	\$ 2,757,727
Measure P	
FY 2021 Beginning Measure P Balance	\$ 9,859,779
FY 2021 Measure P Revenues	\$ 4,747,414
FY 2021 Permanent Local Housing Allocation	\$ 1,000,000
FY 2021 Measure P Appropriated & Planned Expenditures	\$10,469,224
FY 2021 Ending Measure P Balance	\$ 5,137,969

A discussion on these funds information on these funds was held with the Budget & Finance Policy Committee **on December 14,** 2020.

Workers' Compensation Repayment for Purchase of University Avenue Property  
The City appropriated \$6.7 million from the Workers' Compensation Fund for the [Acquisition of Real Property at 1001 University Avenue, 1007 University Avenue, 1011 University Avenue, and 1925 Ninth Street](#) (formerly Premier Cru) with the purpose of redeveloping the majority of the site for below market-rate housing. In addition, a portion of the property was identified for use as an interim City Council Chamber with a seating capacity of 150-200 persons. Meetings of the City Council, the Rent Board, and the Zoning Adjustments Board would utilize the interim Council Chamber.<sup>10</sup>

Proposed repayment to the Worker's Compensation fund was to be made with revenue generated from a combination of the Business License Tax of five or more units (U1) and excess Property Transfer Tax. The proposed repayment schedule is illustrated below.

*Summary of Proposed Funds for Repayment*

Total Purchase Price: \$6,650,000

Repayment Source	Principal Repayment Amount	Percent of Purchase Price
General Fund Excess Property Transfer Tax	\$ 2,000,000	30%
Measure U1 Business Tax Revenue	\$ 4,650,000	70%

*Annual Repayment Amounts by Source (with interest)*

Total Repayment Amount: \$6,765,575

<sup>10</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2017/03\\_Mar/City\\_Council\\_03-28-2017\\_-\\_Regular\\_Meeting\\_Agenda.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2017/03_Mar/City_Council_03-28-2017_-_Regular_Meeting_Agenda.aspx) (Item #32)

<b>Repayment Source</b>	<b>General Fund Excess Property Transfer Tax*</b>	<b>Measure U1 Business Tax Revenue**</b>
FY 2017-18	406,952	946,163
FY 2018-19	406,952	946,163
FY 2019-20	406,952	946,163
FY 2020-21	406,952	946,163
FY 2021-22	406,952	946,163
<b>Total</b>	<b>\$2,034,760</b>	<b>\$4,730,815</b>

\* Total General Fund excess Property Transfer Tax has averaged \$5.8 million over the last two years.

\*\* Total Measure U1 Business Tax revenue is estimated at \$3 million annually.

Included in the AAO#1 on tonight’s agenda is a \$406,952 General Fund allocation to repay the Workers’ Compensation Fund for the portion of the property that will be used for the Council Chambers. The FY 2021 U1 funds for the \$946,163 payment were appropriated in the new Measure U1 Fund as part of the FY 2021 Mid-Biennial Budget Adoption.

Unfunded Liabilities

On April 4, 2017, there was a Council Worksession in which the City’s outside actuary presented the [Projections of Future Liabilities - Options to Address Unfunded Liabilities Tied to Employee Benefits](#). The actuary provided several options for Council’s consideration that would reduce the City’s unfunded liabilities tied to post-employee benefits. Included in the recommendations were the following:

- Investing for the long-term to generate more earning to meet long-term funding targets,
- Increase annual contribution by approximately \$4.5 million per year and fully pre-fund the plans, and
- Establish an irrevocable supplemental trust for CalPERS to stabilize the increasing employer contribution rates.

On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations<sup>11</sup>. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the pension Section 115 Trust<sup>12</sup>. The Section 115 Trust currently has a balance of \$10,628,125.22.

<sup>11</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2018/06\\_June/Documents/2018-06-26\\_Item\\_19\\_Authorization\\_to\\_Establish\\_IRS.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/06_June/Documents/2018-06-26_Item_19_Authorization_to_Establish_IRS.aspx)

<sup>12</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/05\\_May/City\\_Council\\_05-14-2019\\_-\\_Regular\\_Meeting\\_Agenda.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/05_May/City_Council_05-14-2019_-_Regular_Meeting_Agenda.aspx) (Item #5)

On February 27, 2020 the Budget & Finance Policy Committee discussed ongoing funding into the 115 Pension Trust. The following was recommended:

1. Raise the Property Transfer Tax baseline from \$12.5M to \$15M. The additional \$2.5M will be allocated to the Trust
2. Property Transfer Tax in excess of \$15M would be used to fund the City’s capital infrastructure need. However, revenue generated from Measure P is excluded from this transfer.
3. Savings generate by prefunding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of prefunding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the Trust.

Staff requested Council to delay adopting these policies because the City was facing the financial fallout of the pandemic.

No additional funding of the Trust is included in the AAO#1 on tonight’s agenda. However, Council may vote to allocate additional Excess Equity to fund the Trust.

One thing that staff is paying close attention to and will increase the City’s Unfunded Liabilities in the coming years will be the underperforming of CalPERS returns in FY 2020.

**Council Budget Referrals Deferred for Consideration in November 2020**

On June 30, 2020, Council referred the following Supplemental Budget Recommendations to the budget process for consideration in November 2020. Funding for these budget referrals is not included in AAO#1.

<b>Council Items Referred to November 2020 AAO Process</b>	
Contribution to Section 115 Trust Fund	\$4,000,000
Structure and Framework for an Office of Racial Equity	\$150,000
Solano Avenue Plan (OED or PW Transportation)	\$150,000
Bay Area Book Festival 2021 Funding	\$50,000
General Fund Reserves Replenishment	TBD based on available revenues

In addition, between July 14, 2020 and December 1, 2020, there were 17 Council items referred to the budget process for consideration in December 2020. These budget referrals are listed in Attachment 5.

Funding for these budget referrals is not included in AAO#1. Some of these items such as the security cameras at the Marina have been funded. The current list of unfunded needs in addition to the referrals is in Attachment 6.

### All Funds

On an All Funds basis, the City finished FY 2020, \$117 million (18%) under the adjusted budget. These fund balances are largely dedicated to projects, capital improvements that have not yet been completed, and personnel cost savings. For example, \$37 million is in the Department of Public Works. A sampling of the \$37 million underspending includes the following:

- State Transportation Tax (+\$2.9 million) \$1.1 million in salary savings and \$1.7 million in project funding for various street and storm drain program projects continued for completion in FY 2021.
- Capital Improvement Fund (+\$5.5 million): \$0.7 million in salary savings and \$4.3 million in project fund carryover for transportation, street, facilities project funds to FY 2021 due to project timing, including ADA Transition Plan Update, Shattuck Reconfiguration, FY 20 Street Rehab, Storm Drain and Sidewalk Repair projects.
- Measure B (+\$1.7 million) \$0.3 million in salary savings and \$1.4 million in street improvement projects project budget to carried over into FY 2021 for construction completion.
- Measure BB (+4.9 million) \$0.1 million in salary savings and \$4.7 million in sidewalk and street improvement projects project budget to be carried over into FY 2021 for completion.

In addition, the Department of Health Housing and Community Services had \$32 million in underspending primarily as a result of funds allocated to projects and programs not fully expended by the end of the fiscal year that will be carried forward to FY 2021, new positions being filled after the start of the fiscal year and vacancies throughout the department. Of the \$32 million, over \$13 million is allocated for housing development contracts to be encumbered in FY 2021, approximately \$3.1 million was accumulated in the Housing Trust Fund to be disbursed for various Housing Development projects at a later date, and almost \$1.9 million were CDBG funds committed to programs that were not expended during the fiscal year and will be carried forward. Over \$3 million are related to grant balances, including COVID allocations that will carry over into FY 2021. Over \$5 million in unspent Mental Health Service Act Funds and Mental Health Realignment funds resulted from vacancies throughout the division, new positions budgeted for the full year but not filled until later in the fiscal year and delays in implementation of new programs.

Information Technology had \$17.3 million in underspending due to FUNDS Replacement Funds and IT Cost Allocation Funds not being fully spent in FY 2021. Only funds for active projects will be carried over to FY 2021.

Parks Recreation and Waterfront had \$17.1 million in underspending due to personnel savings and unexpended project funds in the Playground Camp, Parks Tax Fund, and Measure T1 Fund. Only certain unspent project funds will be carried over to FY 2021.

Finally, the Library Fund had underspending of \$5.3 million due in large part to unexpected delays to initiating construction of the Central Library Improvement Project; and although project construction began in early 2020, the Shelter-in-Place order declared in March temporarily suspended and subsequently slowed on-site activities.

Attachment 1 provides information on the FY 2020 Year-End General Fund Revenues and includes a variance analysis.

Attachment 2 provides information on unspent FY 2020 Year-End Expenditures.

Additional detailed information on unspent funds can be found in the AAO#1 on tonight's agenda.

## **FY 2021 First Quarter Summary**

### General Fund Revenues

The first quarter review generally focuses primarily on the major revenue fluctuation and changes that have occurred that might result in significant changes in future projections. However, in light of the disruptions created by the COVID-19 pandemic, Staff recognize that it would be wise, where possible to present revisions to revenue projections at this time based on the first quarter trends, and then refine them more during the mid-year update.

During the first quarter of FY 2021, General Fund revenue and transfers decreased significantly from the first quarter of FY 2020 by \$5,424,521 or 15.7%, due primarily to a decline of \$2,465,224 in Property Transfer Taxes, a decline of \$840,169 in Sales Taxes, a decline of \$1,717,910 in Transient Occupancy Taxes (TOT), a decline of \$517,575 in Parking Fines, a decline of \$676,108 in Ambulance Fees, and a decline of \$460,913 in Interest Income. These declines were partially offset by an increase of \$480,961 in Other Income and an increase in Transfers of \$3,115,969.

For additional information on the First Quarter General Fund Revenues please see Attachment 3.

### General Fund Expenditures

General Fund expenditures are currently tracking close to within budget as departments tend to encumber funds purchase orders for the entire year in the first few months of the

year. Staff will continue to monitor the budget and report back at mid-year on the impacts of the key challenges discussed earlier in this report.

Attachment 4 provides additional information on the FY 2021 First Quarter Expenditures by department and includes a variance analysis

### **Next Steps**

Staff will present second-quarter revenue and expenditure projections at the FY 2021 Mid-Year Update and the Projection of Future Liabilities Report in March 2021.

### **ENVIRONMENTAL SUSTAINABILITY**

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

### **CONTACT PERSON**

Teresa Berkeley-Simmons, Budget Manager, City Manager's Office, 981-7000

Henry Oyekanmi, Finance Director, Department of Finance, 981-7300

Rama Murty, Senior Management Analyst, City Manager's Office, 981-7000

### **Attachments:**

- 1: FY 2020 Year End General Fund Revenues
- 2: FY 2020 Year End General Fund and All Funds Expenditures
3. FY 2021 1<sup>st</sup> Quarter General Fund Revenues
4. FY 2021 1<sup>st</sup> Quarter General Fund and All Funds Expenditures
5. Summary of Council Referrals to the Budget Process
6. Summary of FY 21 and FY 22 Resource Needs (Not Included In Baseline)

Summary of Council Referrals to the Budget Process

Attachment 5

Title and Item #	Council Date	Description (Purpose)	Amount	Funding Allocation	Referred by: Council Member Name
<p>1. <a href="#">Safety for all: The George Floyd Community Safety Act – Budget Request to Hire a Consultant to Perform Police Call and Response Data Analysis</a><sup>1</sup></p>	<p>July 14, 2020</p>	<p>Refer to the Budget Process \$150,000 to: a. Hire a consultant to conduct a data-driven analysis of police calls and responses to determine the quantity and proportion of these calls that can be responded to by non-police services. The third-party consultant must be hired and engaged in work within three months of the item’s passage. b. Hire a consultant to conduct an analysis of the Berkeley Police Department’s budget and its expenditures by call type. The third-party consultant must be hired and engaged in work within three months of the item’s passage.</p>	<p>\$150,000</p>	<p>Part of FY 21 Adopted Budget, being performed by City Auditor’s Office</p>	<p>Bartlett, Mayor Arreguin, and Harrison</p>
<p>2. <a href="#">BerkDOT: Reimagining Transportation for a Racially Just Futures</a><sup>2</sup></p>	<p>July 14, 2020</p>	<p>Refer to the City Manager, the FY 2021-22 budget process, and the proposed community engagement process to reimagine public safety to pursue the creation of a Berkeley Department of Transportation (BerkDOT) to ensure a racial justice lens in traffic enforcement and the development of transportation policy, programs, &amp; infrastructure.</p>	<p>unknown</p>	<p>AAO request of \$75,000 to support work</p>	<p>Robinson, Droste, Bartlett, and Mayor Arreguin</p>
<p>3. <a href="#">Support Community Refrigerators</a><sup>3</sup></p>	<p>September 22, 2020 <i>(continued on October 13, 2020)</i></p>	<p>Allocate \$8,000 of the budget for the purchasing of the refrigerators.</p>	<p>\$8,000</p>		<p>Davila</p>

<sup>1</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/07\\_Jul/Documents/2020-07-14\\_Item\\_18a\\_Safety\\_for\\_All\\_The\\_George\\_Floyd\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-14_Item_18a_Safety_for_All_The_George_Floyd_pdf.aspx)

<sup>2</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/07\\_Jul/Documents/2020-07-14\\_Item\\_18e\\_BerkDOT\\_Reimagining\\_Transportation\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-14_Item_18e_BerkDOT_Reimagining_Transportation_pdf.aspx)

<sup>3</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/09\\_Sep/Documents/2020-09-22\\_Item\\_17\\_Support\\_Community\\_Refrigerators.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/09_Sep/Documents/2020-09-22_Item_17_Support_Community_Refrigerators.aspx)

Summary of Council Referrals to the Budget Process

Attachment 5

Title and Item #	Council Date	Description (Purpose)	Amount	Funding Allocation	Referred by: Council Member Name
4. <a href="#">Providing our Unhoused Communities in the City of Berkeley with Potable Water and addressing Water Insecurity</a> <sup>4</sup>	September 22, 2020	Refer to City Manager to include an allocation in the upcoming AAO budget to use existing homeless services to fund Berkeley Free Clinic's program to address water insecurity among Berkeley's unhoused communities. This program will initially require \$10,000 to construct and maintain a large tank with a foot pump for dispensing water from a spout that can be used for drinking or handwashing.	\$10,000	Funded	Davila
5. <a href="#">Healthy Checkout Ordinance</a> <sup>5</sup>	September 22, 2020	Refer to the City Manager to determine funding and staffing needs to implement and enforce the ordinance and sources of funding to support this program. Refer to the Sugar Sweetened Beverage Product Panel of Experts to consider recommending funding allocations, and to work with City staff to develop protocols for, implementation, education, and enforcement.	unknown		Harrison and Hahn
6. <a href="#">Authorize Installation of Security Cameras at the Marina and Request an Environmental Safety Assessment</a> <sup>6</sup>	October 13, 2020	Adopt the following recommendation in order to address the recent dramatic uptick in reported crime incidents at the Berkeley marina: • Request that the City Manager install security cameras and signage as expeditiously as possible as a long-term safety measure;	\$120,000	\$60,000 – PRW– General Fund carryover request \$60,000 – Marina Fund	Kesarwani and Wengraf

<sup>4</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/09\\_Sep/Documents/2020-09-22\\_Item\\_09\\_Providing\\_our\\_Unhoused\\_Communities.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/09_Sep/Documents/2020-09-22_Item_09_Providing_our_Unhoused_Communities.aspx)

<sup>5</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/09\\_Sep/Documents/2020-09-22\\_Item\\_16\\_Healthy\\_Checkout\\_Ordinance.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/09_Sep/Documents/2020-09-22_Item_16_Healthy_Checkout_Ordinance.aspx)

<sup>6</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-13\\_Item\\_12\\_Authorize\\_Installation\\_of\\_Security.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-13_Item_12_Authorize_Installation_of_Security.aspx)



Summary of Council Referrals to the Budget Process

Attachment 5

Title and Item #	Council Date	Description (Purpose)	Amount	Funding Allocation	Referred by: Council Member Name
<p>7. <a href="#">“Step Up Housing” Initiative: Allocation of Measure P Funds to Lease and Operate a New Permanent Supportive Housing Project at 1367 University Avenue</a><sup>7</sup></p>	<p>October 13, 2020</p>	<p>Adopt a resolution allocating approximately \$900,000 per year for 10 years, as well as a one-time allocation of approximately \$32,975 from Measure P transfer tax receipts to support the lease and operation of a new permanent supportive housing project for the homeless at 1367 University Avenue. This resolution is put forward out of consideration that the City Council has already approved in its FY 2020-21 budget—on June 30, 2020— an allocation of \$2.5 million for permanent housing subsidy, a portion of which is available to be spent on the 1367 University Avenue project.</p>	<p>\$32,975 (one-time allocation from Measure P)  \$900,000/year for 10 years</p>	<p>Measure P funding request</p>	<p>Bartlett, Kesarwani, Wengraf, and Mayor Arreguin</p>
<p>8. <a href="#">Removal of Traffic Bollards on the Intersection at Fairview and California St.</a><sup>8</sup></p>	<p>October 13, 2020</p>	<p>Refer to the City Manager to remove the traffic bollards at the intersection at Fairview and California St. for the following reasons: 1. To allow residents, emergency responders, street cleaning and garbage disposal services, and delivery vehicles ease of access to enter and exit Fairview Street; 2. To allow residents of the 1600 block of Fairview St. access to additional parking spots because the current capacity is inadequate; and 3. To decrease illegal dumping that has been incentivized by the traffic bollards and eliminate the harborage of junk, debris, and garbage.</p>	<p>unknown</p>	<p>Bollards have been removed.</p>	<p>Bartlett</p>

<sup>7</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-13\\_Item\\_16\\_Step\\_Up\\_Housing\\_Initiative\\_Allocation.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-13_Item_16_Step_Up_Housing_Initiative_Allocation.aspx)

<sup>8</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-13\\_Item\\_17\\_Removal\\_of\\_Traffic\\_Bollards.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-13_Item_17_Removal_of_Traffic_Bollards.aspx)

Summary of Council Referrals to the Budget Process

Attachment 5

Title and Item #	Council Date	Description (Purpose)	Amount	Funding Allocation	Referred by: Council Member Name
9. <a href="#">\$50,000 to UC Theatre Concert Career Pathways Education Program</a> <sup>9</sup>	October 27, 2020	Refer to the November 2020 AAO budget process the allocation of \$50,000 to the UC Theatre Concert Career Pathways Education Program.	\$50,000		Mayor Arreguin
10. <a href="#">Equitable Clean Streets Budget Referral: Funding for Staff to Conduct Bi-Weekly (Once Every Two Weeks) Residential Cleaning Services</a> <sup>10</sup>	October 27, 2020	Refer to the November AAO budget process to allocate \$500,000 from the General Fund to require biweekly (once every two weeks) cleaning of populated encampment sites, major corridors, and encampments adjacent to residential neighborhoods throughout the City of Berkeley for approximately one year. The City should also partner with appropriate non-profit organizations to create work opportunities for homeless residents who can help City staff clean the streets on an ongoing basis	\$500,000		Bartlett
11. <a href="#">Convert 62nd Street between King St. and Adeline St. into a One-Way Line that exits in the direction of Adeline St.</a> <sup>11</sup>	October 27, 2020	Refer to the City Manager to convert 62nd Street between King St. and Adeline St. into a one-way lane that exits to Adeline and blocks motorists from entering 62nd Street through Adeline Street.	unknown		Bartlett and Mayor Arreguin
12. <a href="#">Support for Berkeley Mutual Aid</a> <sup>12</sup>	October 27, 2020	Refer to the City Manager and to the November FY2020 AAO budget adjustment process to identify existing resources, or propose a new allocation of funds, to provide emergency financial support to Berkeley Mutual Aid (BMA) to allow the organization to continue its highly valued programs and	\$36,000 annual cost		Hahn and Mayor Arreguin

<sup>9</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-27\\_Item\\_18\\_Budget\\_Referral\\_50,000\\_to\\_UC\\_Theatre.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-27_Item_18_Budget_Referral_50,000_to_UC_Theatre.aspx)

<sup>10</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-27\\_Item\\_20\\_Equitable\\_Clean\\_Streets\\_Budget\\_Referral.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-27_Item_20_Equitable_Clean_Streets_Budget_Referral.aspx)

<sup>11</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-27\\_Item\\_21\\_Convert\\_62nd\\_Street\\_between\\_King\\_St.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-27_Item_21_Convert_62nd_Street_between_King_St.aspx)

<sup>12</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-27\\_Item\\_23\\_Support\\_for\\_Berkeley\\_Mutual\\_Aid.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-27_Item_23_Support_for_Berkeley_Mutual_Aid.aspx)

Summary of Council Referrals to the Budget Process

Attachment 5

Title and Item #	Council Date	Description (Purpose)	Amount	Funding Allocation	Referred by: Council Member Name
		services addressing the needs of Berkeley residents sheltering-in- place during the COVID-19 health emergency. Support required for BMA to continue providing critical services to the community is \$3,000 per month, starting as soon as possible and continuing until 3 months after the COVID-19 emergency order is lifted.			
13. <a href="#">Security Cameras at Major Berkeley Arterial Entry and Exit Points for the City and Request an Environmental Safety Assessment at High Crime Areas of the City</a> <sup>13</sup>	November 10, 2020	In order to deter would-be perpetrators of gun violence and apprehend those engaging in gun violence, adopt the following recommendations: • Request that the City Manager install security cameras and increased lighting at appropriate arterial streets serving as entry into and exit out of the City of Berkeley in conjunction with prominently displayed signage; • Refer to the City Manager to perform an environmental safety assessment of the high crime areas specifically in South and West Berkeley; • Refer costs for security cameras and lighting to the mid-year budget process for FY 2020-21.	\$500,000 - \$1,000,000		Kesarwani and Mayor Arreguin
14. <a href="#">Gun Buy Back Program</a> <sup>14</sup>	November 10, 2020	Refer to the FY 2020-21 November Amendment to the Annual Appropriations Ordinance (AAO #1) \$40,000 to reinstate partial funding for the Gun Buyback Program—originally proposed by Councilmember Cheryl Davila and authorized by the City Council on Nov. 27, 2018.	\$40,000		Kesarwani, Mayor Arreguin, and Davila

<sup>13</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/11\\_Nov/Documents/2020-11-10\\_Item\\_12\\_Authorize\\_Installation\\_of\\_Security.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/11_Nov/Documents/2020-11-10_Item_12_Authorize_Installation_of_Security.aspx)

<sup>14</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/11\\_Nov/Documents/2020-11-10\\_Item\\_13\\_Budget\\_Referral\\_to\\_Reinstate.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/11_Nov/Documents/2020-11-10_Item_13_Budget_Referral_to_Reinstate.aspx)

Summary of Council Referrals to the Budget Process

Attachment 5

Title and Item #	Council Date	Description (Purpose)	Amount	Funding Allocation	Referred by: Council Member Name
15. <a href="#">Radar speed feedback sign for Wildcat Canyon Road</a> <sup>15</sup>	November 10, 2020	Referral to the City Manager for a solar powered radar speed feedback sign to be installed on Wildcat Canyon Road at the cost of \$20,000 to be considered during the Mid-Year Budget Process.	\$20,000		Wengraf
16. <a href="#">Berkeley Age Friendly Continuum</a> <sup>16</sup>	November 17, 2020	Refer to the FY21 Annual Appropriations Ordinance process \$20,000 for the Berkeley Age-Friendly Continuum.	\$20,000		Mayor Arreguin and Wengraf
17. <a href="#">Budget Referral to Prioritize Enhanced Lighting in Areas of Elevated Violent Crime</a> <sup>17</sup>	December 1, 2020	Refer to the City Manager to prioritize resident requests for enhanced lighting when such requests come from blocks where elevated violent crime has occurred during the COVID-19 pandemic. Refer costs for additional lighting and environmental safety assessments to the mid-year budget process for FY 2020-21	\$200,000		Kesarwani, Mayor Arreguin, and Bartlett
<b>TOTAL</b>			<b>\$3,086,975</b>		

<sup>15</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/11\\_Nov/Documents/2020-11-10\\_Item\\_16\\_Budget\\_Referral\\_-\\_20,000\\_radar\\_speed.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/11_Nov/Documents/2020-11-10_Item_16_Budget_Referral_-_20,000_radar_speed.aspx)

<sup>16</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/11\\_Nov/Documents/2020-11-17\\_Item\\_12\\_Budget\\_Referral\\_Berkeley\\_Age-Friendly.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/11_Nov/Documents/2020-11-17_Item_12_Budget_Referral_Berkeley_Age-Friendly.aspx)

<sup>17</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/12\\_Dec/Documents/2020-12-01\\_Item\\_23\\_Budget\\_Referral\\_to\\_Prioritize\\_Enhanced.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/12_Dec/Documents/2020-12-01_Item_23_Budget_Referral_to_Prioritize_Enhanced.aspx)

**FY 21 and FY 22 Resource Needs (Not Included in Baseline)**  
**November 2020 AAO**

	FY 21	FY 21	FY 22	FY 22	Committee Date
	Original	Revised	Original	Revised	
Estimated FLSA Labor Settlement (ERMA Implementation) (1)					
June 1, 2018 - May 31, 2020	800,000	800,000	0	0	
June 1, 2020 - Go Live (Feb. 2021)	266,667	266,667	0	0	
Parking Funds					
FY 21 Operational Needs (2)	7,752,445	3,240,688	0	0	10/8/2020
Debt Service	0	0	1,910,250	0	
Capital Replacement Needs (3)	0	0	0	3,355,000	
Homeless Response Team	0	815,729	0	1,263,257	11/12/2020
Waterfront and Marina					
Security Services (7 months)	86,275	0	0	0	
Security Monitors (7 months)	44,189	0	0	0	
Projected Operating Needs	0	0	0	1,083,751	
Police Budget - FY 21 (4)	0	5,000,000	0	0	11/12/2020
Cybersecurity for Telecommuting (IT)	0	819,000	0	1,946,300	
Projected FY 21 Building Purchases and Maintenance Fund Deficit Fund Balance	540,000	92,062	0	0	11/12/2020
Section 115 Trust (5)	4,000,000	4,000,000	4,000,000	4,000,000	
Fire Dept. Compressor Truck	350,000	350,000	0	0	
Fill vacant Fire Positions (6)	0	541,478	0	1,700,000	
Transfer to Paramedic Tax to Address Deficit	397,774	0	0	0	
Estimated Homelessness and Housing Needs (in progress)					
Berkeley Way	0	0	3,023,365	3,023,365	
STAIR	0	0	2,500,000	2,499,525	
Dorothy Day (Shelter)	0	0	566,000	566,000	
Dorothy Day (Drop In)	0	0	182,000	182,000	
Coordinated Entry	0	0	1,440,000	1,442,426	
Outdoor Encampment	0	0	0	615,000	
YSA Tiny Homes	0	0	0	78,000	
Lifelong - Street Medicine	0	0	0	454,239	
DBA - Homeless Outreach Worker	0	0	0	40,000	
Downtown Streets Team	0	0	0	225,000	
BDIC Locker Program	0	0	50,000	50,000	
Reserve Replenishment	0	0	0	0	
COVID-19 Response	0	0	0	0	
Intersection Improvements at Shattuck and Berkeley Way	0	0	650,000	650,000	
Measure T1					
Mental Health Facility	230,000	0	0	0	
North Berkeley Senior Center	0	0	0	0	
<b>Total Resource Needs</b>	<b>14,467,350</b>	<b>15,925,624</b>	<b>14,321,615</b>	<b>23,173,863</b>	

(1) Estimate based on previous settlements.

(2) Based on Public Works balancing proposal, represents costs of parking enforcement program. FY 22 represents costs of Telegraph-Channing Garage elevator replacement.

(3) Resources needed for elevator replacement project and meter upgrade/replacement project.

(4) Additional need based on three-year average of overtime costs incurred by the Police Department.

(5) Recommended annual contribution.

(6) FY 22 is an estimate of resources needed to sustain positions in FY 22.